



Directorate of
Intelligence

MASTER FILE COPY

**DO NOT GIVE OUT
OR MARK ON**

~~Secret~~

25X1



International Issues Review

25X1

August 1984

~~Secret~~

*GI IIR 84-004
August 1984*

Copy **581**

Page Denied



Intelligence

Secret

25X1

International Issues Review

25X1

This publication is produced by the Office of Global Issues. Some issues contain articles drafted in other offices. Some articles are preliminary or speculative in nature, but the contents are formally coordinated as appropriate with other offices within CIA. Occasionally an article represents the views of a single analyst; these items are clearly designated as noncoordinated views.

25X1

Secret

*GI IIR 84-004
August 1984*

Secret

25X1

Contents

| | | <i>Page</i> | |
|-----------------------|--|-------------|------|
| Narcotics | Panama: Drug Money Crossroads | 1 | 25X1 |
| | | | |
| | Panama's close financial relationship with Colombia's stringent bank secrecy laws, liberal incorporation laws, corruptible officials, and legal tender status for the US dollar are the leading factors contributing to Panama's status as perhaps the leading narco-dollar center in the Caribbean. | | 25X1 |
| Arms Transfers | North Korean Acquisition of Western Weapons | 5 | 25X1 |
| | | | 25X1 |
| | | | |
| | The New THV Ammunition: Ideal for Terrorists | 9 | 25X1 |
| | | | |
| | A new type of special-purpose ammunition that combines the ability to penetrate armor with the potential for massive tissue damage will significantly enhance the ability of terrorists to conduct close-in attacks on individuals—including those wearing soft body armor. | | 25X1 |
| | East European Military, Security, and Intelligence Advisory and Training Programs for LDCs | 13 | 25X1 |
| | | | |
| | East European military and related advisory and training programs are smaller and less comprehensive than those of the USSR but have doubled in size since 1978. The growth in these programs mirrors both the obligation to support Soviet initiatives as well as fulfilling national goals of the suppliers. | | 25X1 |

Secret



25X1

Arms Transfers: Significant Sales and Negotiations

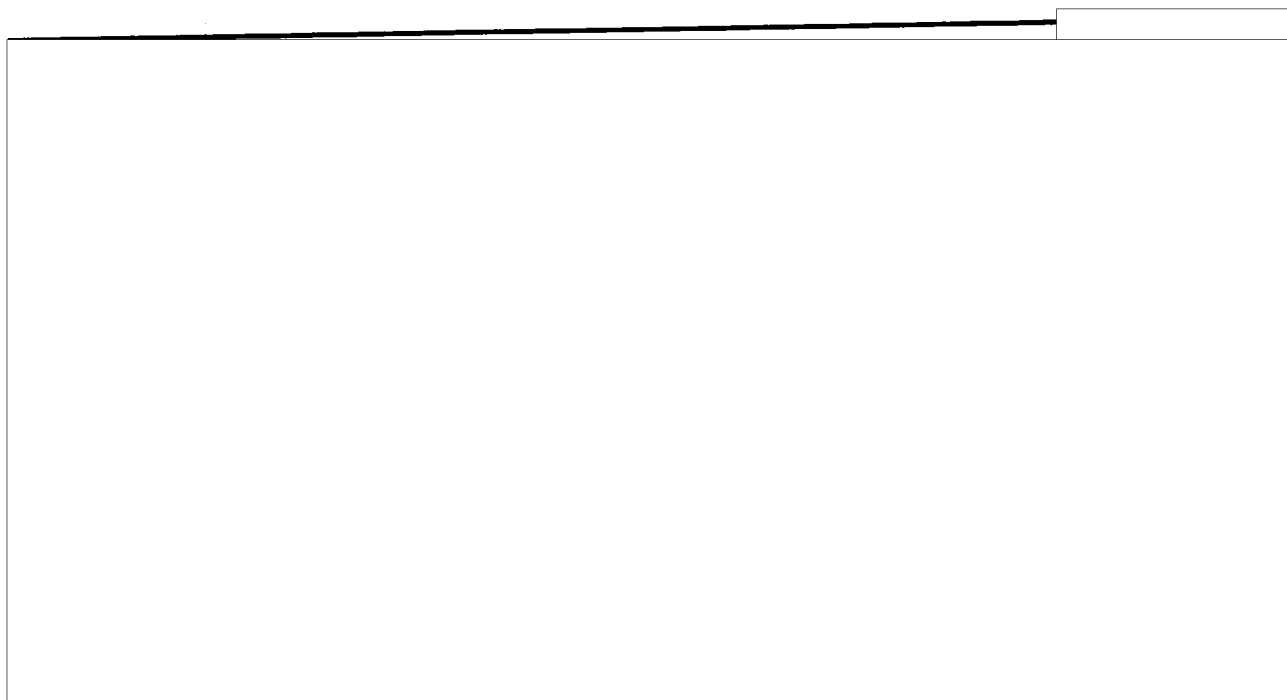
21



25X1



25X1



25X1
25X1

Comments and queries are welcome. They may be directed to the authors,



25X6

Secret

Secret

25X1

Narcotics

Panama: Drug Money Crossroads

25X1

Summary

Despite disclaimers by its government, Panama has become perhaps the leading narco-dollar center in the Caribbean. Panama's rise to prominence as a drug money center is in large part a result of its attractiveness to the region's dominant Colombian trafficking organizations. Along with a long and close financial relationship, Panama offers the Colombians a Spanish-speaking banking system with stringent secrecy laws, liberal incorporation laws that facilitate shell accounts, corruptible officials, and legal tender status for the US dollar. US pressure for relaxation of Panama's bank secrecy laws may be forcing the Colombians to search for alternatives to Panama, but, as long as a modicum of bank secrecy is preserved there, a dramatic shift in drug money movement is unlikely. Rather we expect the Colombians would first attempt to alter their methods of operation in Panama or gradually fragment the drug money chain, with Panama becoming one of several equally important centers.

25X1

Panama's Role as a Money Laundering Center

Over the last several years considerable evidence has accumulated that Panama is a leading, if not the leading, drug money center in the Caribbean Basin. One indicator of its importance to the all-cash drug industry is the enormous amount of surplus dollars returned by the Banco Nacional de Panama to the United States. In 1982 and 1983 the returned surplus was on the order of \$1 billion—compared to several hundred million or less from any other offshore banking center. Although this cash cannot be directly traced to drug trafficking, the denominations involved suggest strongly that much of it is "street money" derived from drug sales in the United States. Moreover, along with evidence compiled domestically in connection with the indictments of several major money launderers, overwhelmingly support the conclusion that Panama is a narco-dollar crossroads.

Ties With Colombian Traffickers

Panama's prominence as a drug money center stems in large part from its role as a magnet for Colombian coca and marijuana money. From one-third to one-half of the estimated \$5-15 billion in drug money that leaves the United States each year represents revenues of Colombian marijuana and cocaine traffickers, most of whom bank part of their proceeds in Panama.

25X1

25X1

25X1

Secret

GI IIR 84-004
August 1984

Secret

25X1

The first credible evidence that Panama was serving as a center for Colombian narco-dollars was provided in 1980 to the US Consulate in Cali, a major cocaine trafficking center. A Cali exchange house operator familiar with black-market money movements reported that "a great deal of [drug money] passes straight through the country to Ecuador or never enters but stops in banks in Panama."

The attraction of Panama for Colombian drug traffickers is a reflection of a close financial relationship that extends back several decades. Even before Panamanian banking law was liberalized in 1970 to attract foreign banks, three Colombian banks had branches in Panama, a representation exceeded only by the United States' four branch banks. There are now nine Colombian banks with general licenses in Panama, more than any other nationality except the United States and Panama (see table); and Colombians reportedly hold substantial equity in non-Colombian banks. The role of Colombian traffickers in this expansion has never been fully documented, but according to DEA at least one trafficker, Gilberto Rodriguez Orjuela, is a major investor in, and officer of, a Panamanian bank that opened in 1975. Since

most Colombian branch banks in Panama were established in the 1960s and 1970s, the period during which the lucrative Colombian drug trade to the United States was launched, involvement of other traffickers seems likely.

In addition to its advantages as a Colombian offshore banking center, Panama offers a number of other features of particular interest to Colombian traffickers:

- It is the only large Spanish-speaking offshore banking center in the Caribbean Basin area. This is a major attraction for Colombian traffickers, many of whom are inexperienced in the international milieu and all of whom demonstrably prefer the anonymity offered by a Hispanic environment.
- Panama provides perhaps the most stringent bank secrecy in the Caribbean along with liberal incorporation laws that facilitate establishment of shell accounts to further disguise the true ownership of dirty money.
- The free port of Colon, long a transit point for contraband, offers a convenient acquisition site for precursor chemicals used in the processing of cocaine.

25X1

25X1

Secret

Secret

Erratum

Notice to recipients of DI document: *International Issues Review*, GI IIR 84-004.

The attached table is to replace the incorrect table on page 2.

General License Banks in Panama
as of 31 December 1982

Million US \$

| Banks | Number | External Loans | Local Loans | External Deposits | Local Deposits |
|--------------------------|--------|-------------------|----------------|----------------------|-------------------|
| Panamanian | 10 | 15.2 | 1,213.4 | 170.7 | 1,147.3 |
| US | 9 | 7,341.8 | 936.1 | 10,074.4 | 751.0 |
| Colombian | 9 | 1,689.4 | 255.0 | 1,560.3 | 475.0 |
| Other Latin American | 13 | 2,128.0 | 178.6 | 2,481.5 | 321.8 |
| European and Canadian | 16 | 3,355.9 | 645.8 | 6,730.1 | 770.0 |
| Asian and Middle Eastern | 9 | 3,541.3 | 133.8 | 4,429.9 | 131.6 |

Secret

- Panamanian officials at many levels are viewed as corruptible at rates the Colombians are willing to pay. [REDACTED]

proportion of the incoming money going to pay expenses. Judging from information obtained from Operation Greenback and from DEA field offices, funds used to reimburse growers, processors, and distributors in the drug chain are delivered in the form of cash or cashiers check directly to Colombia. There is little information on the disposition of those drug profits after deposit in Panama. [REDACTED]

- The legal tender status in Panama of the US dollar, the medium of exchange for most Colombian drug deals, permits more inconspicuous handling of cash receipts than in centers where the dollar is foreign exchange. [REDACTED]

Outlook

Panama's status in the drug money hierarchy may be on the wane. [REDACTED]

Money Flows

The movement of drug money to Panama is facilitated by a cadre of gray money managers in the United States whose records have provided some of the most damning evidence of Panamanian involvement in the drug money chain: [REDACTED]

[REDACTED] in response to US pressure for relaxation of Panamanian bank secrecy laws, some traffickers also may be looking for other suitable financial centers. The list of those countries offering facilities comparable to Panama has been reduced by cooperation agreements signed with Switzerland and with the United Kingdom on behalf of the Cayman Islands. The chances are good, however, that the Colombians would be most willing to tolerate lesser accommodations in such Hispanic locales as:

- Spain, to which traffickers travel frequently to avoid arrest, to seek socially acceptable brides, and to monitor their interests in the growing European market for cocaine.
- Venezuela and Ecuador, to which growing and processing operations may be moved if the situation in Colombia becomes untenable and which have well-developed financial sectors that already are involved locally in drug money movements. [REDACTED]

Most of the large amounts of money flowing into Panama apparently is profits from the Colombian organization's illicit narcotics activity. Operating costs in Panama are minimal, with only a small

Secret

Secret

Since no location offers all the advantages of Panama in the eyes of the Colombians, a dramatic shift in drug money movements is unlikely so long as some bank secrecy protection is maintained in Panama. More probable developments would be:

- Adaptation of the modus operandi to provide preliminary laundering of money en route to Panama. Initial deposits of cash in other locations is a move in this direction.
- Preservation of de facto secrecy in Panama in the form of greater corruption, an option that might be viewed as more cost effective than investment in the development of such untested centers as Venezuela and Ecuador.
- Greater fragmentation of the drug money chain.

25X1
25X1

Secret

Secret

Arms Transfers

North Korean Acquisition of Western Weapons

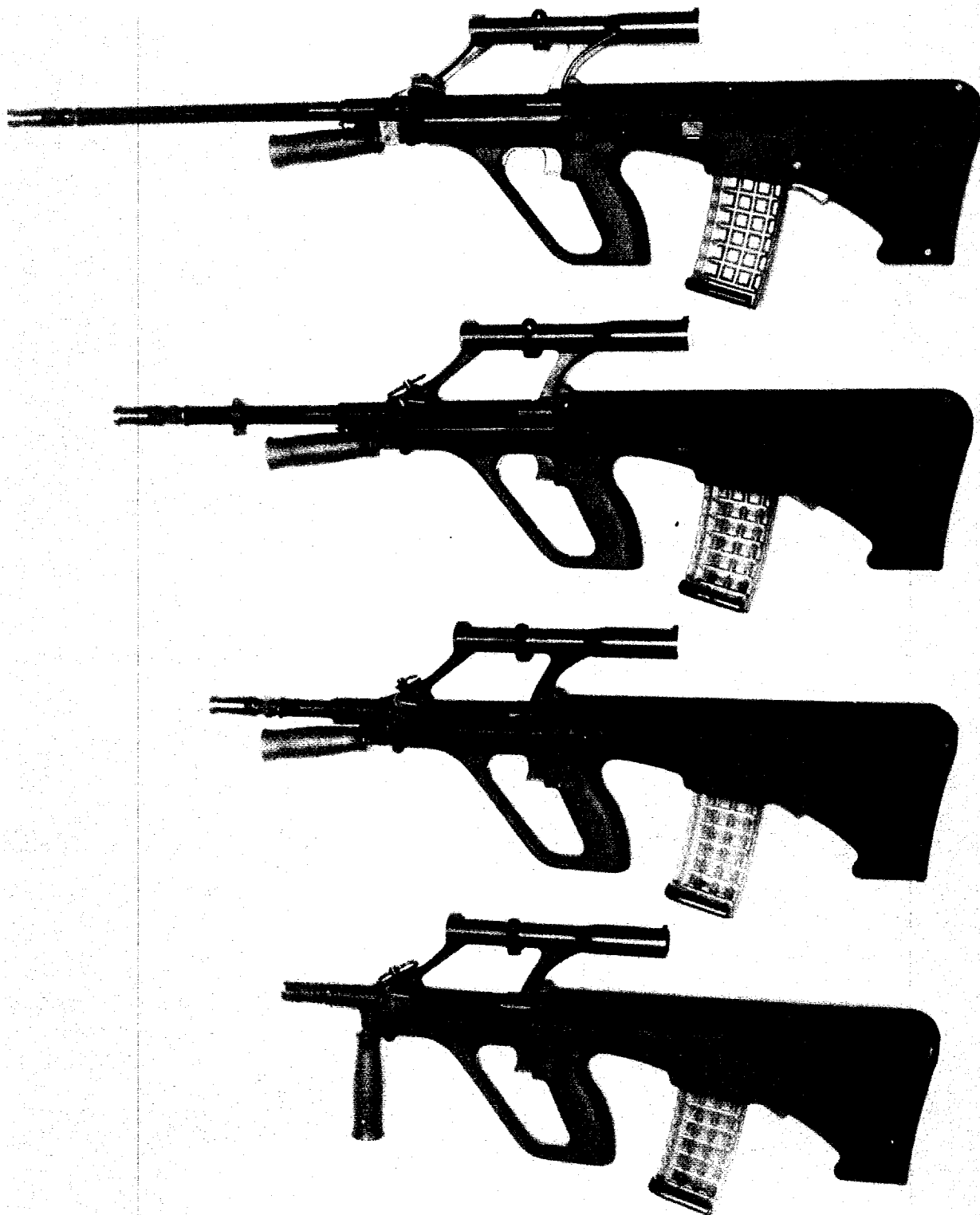
25X1

Summary

Silenced Pistols

Secret

Secret



25X1

Secret

Secret

Selective Fire Weapons

North Korea has also sought compact West European automatic weapons on the international gray arms market. These weapons are probably intended as potential replacements for the Czechoslovak 7.65-mm Skorpion machine pistol issued in the past to North Korean agents but which—like the North Korean silencer—has also been compromised through South Korean propaganda. [redacted]

[redacted] for example, a four-member North Korean delegation visited the Austrian firm Steyr-Daimler-Puch in December 1983 and arranged to purchase 1,000 Steyr AUG-77 Universal Army Rifles for a total cost of over \$3 million—almost twice the normal price. Although few additional details are available, these weapons were reportedly to be shipped to North Korea in four installments with the final shipment to have been made by June 1984.

[redacted]

Acquisition of this weapon will significantly enhance the ability of North Korean agents to conduct a variety of operations. Although technically an assault rifle, the Steyr AUG is an extremely versatile weapon and features removable barrels in four different lengths—14, 16, 20, and 24 inches. It can be configured as a submachinegun, carbine, rifle, or squad automatic weapon simply by interchanging these barrels—an operation which takes less than a minute to complete. With the 14-inch barrel, the AUG has an overall length of only 690 millimeters (27 inches), thus making it only slightly longer than many submachineguns and ideal for close-in fighting. Unlike submachineguns that fire conventional pistol ammunition, however, the AUG fires the more powerful 5.56-mm subcaliber, hypervelocity NATO assault rifle round. With the 24-inch barrel, moreover, the weapon is capable of delivering sustained, accurate automatic fire out to a range of 800 meters. A grenade launcher is also available as an accessory. [redacted]

The AUG has one other feature which may make it particularly attractive to the North Koreans. Many of the AUG's components are composed of a high impact plastic which will not trip metal detectors and

Secret

Secret

may not be discernible as gun parts when viewed through an X-ray machine. Combined with the ease with which it can be field-stripped and reassembled, this feature could facilitate the smuggling of the AUG through airport security checks. [redacted]

Other Weapons

North Korea also purchases a large variety of other Western weapons on the gray arms market. Typically, these weapons fall in the category of sporting arms and ammunition which—because of their nonmilitary nature—can be easily acquired through private dealers and even legitimate gun shops. In some cases these “sporting” arms fire the same ammunition as many military-issue weapons. [redacted]

[redacted]

The types and quantities of these weapons—as well as the nature of their acquisition—suggest that these arms are intended for North Korean agents, saboteurs, and infiltrators rather than for resale on the international gray arms market. By continuing to purchase weapons through private arms dealers and brokers, P'yongyang will be able to ensure itself an element of deniability in the event its operatives are caught or killed and attempts are made to trace their weapons. [redacted]

[redacted]

25X1
25X1

25X1

25X1
25X1

North Korea also acquires US-made weapons on the gray arms market. [redacted]

25X1

Secret

The New THV Ammunition: Ideal for Terrorists

Summary

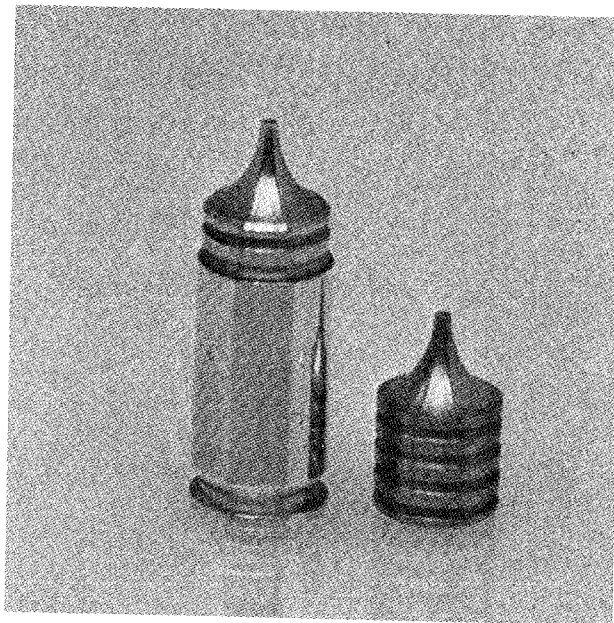
A new type of small-arms ammunition has been developed which combines the previously irreconcilable qualities of massive tissue damage and armor penetration. Acquisition of this ammunition by terrorists—which we believe is inevitable—will significantly enhance their ability to conduct close-in attacks on individuals—including those wearing soft body armor or riding in hardened vehicles.

A new type of special-purpose small-arms ammunition has been developed which would be extremely lethal in the hands of terrorists. It combines the previously irreconcilable qualities of massive wound potential (“stopping power”) and the ability to defeat the protection afforded by soft body armor or a hardened vehicle.

Wound Potential Versus Penetration

Although there are many theories about why some bullets are more effective than others, most agree that, in order to produce incapacitating wounds or death, a bullet must transfer all or most of its kinetic energy to the target. In order to maximize its ability to do so, it is essential that the bullet remain within the target body rather than merely passing through it. Thus, hollow-point bullets which expand or mushroom upon impact not only produce larger wounds, but—because they come to rest quickly—impart most of their kinetic energy to the target. The stopping power of such rounds can be further enhanced by increasing their mass, diameter, and—above all—velocity.

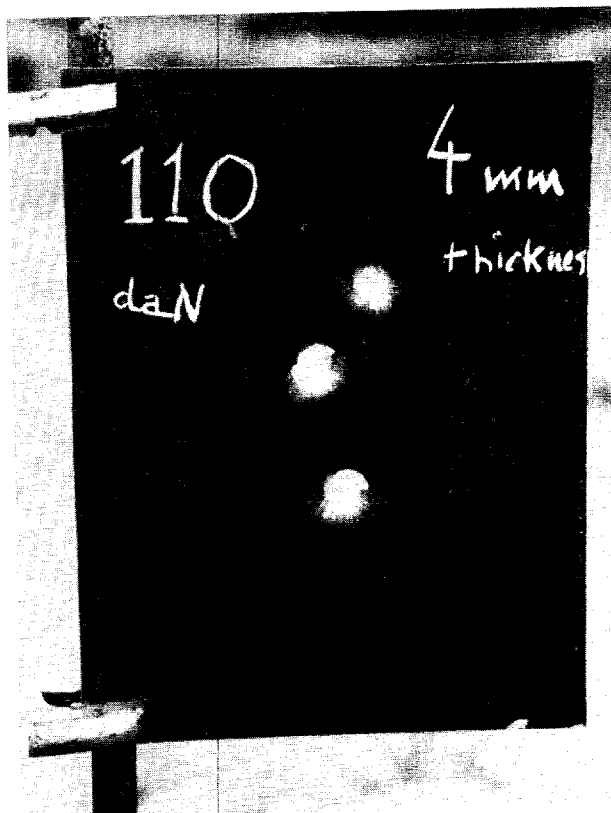
Because hollow-point and other types of soft nose expanding bullets are designed to “brake” quickly within human tissue, they are poor penetrators of the soft body armor or hardened vehicles used to protect the potential victim of a terrorist attack. Such targets



THV ammunition: 9-mm THV round and bullet.

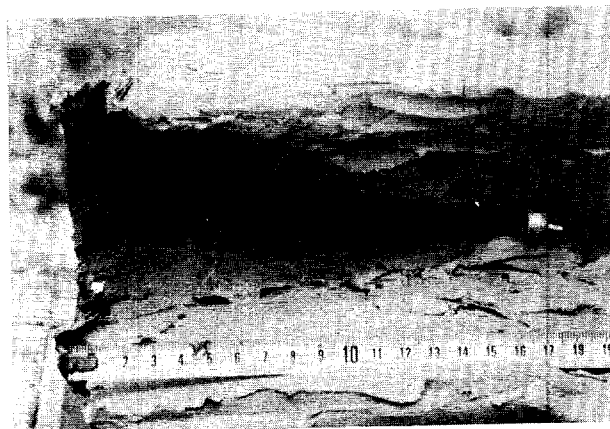
can be successfully attacked, however, with a wide variety of military-issue or special-purpose armor- and metal-piercing ammunition.

Secret



Because of their high velocity and nondeforming bullets, THV rounds exhibit good metal-piercing capabilities.

Perhaps the best known examples of such ammunition are the US-made KTW and the French-made Arcane rounds. Often referred to as "teflon-coated bullets," KTW ammunition was developed 13 years ago to enable police officers to shoot through concrete blocks, automobile engine blocks, barricades, or armor plate. The penetration capability of the KTW round stems from a hotter powder load and a machined brass core, which provide greater muzzle velocity, mass, and hardness than a conventional lead slug. Similar in concept to the KTW round, Arcane ammunition was invented by Fabrice Bodet, an independent French arms dealer, for use by special police and military units. Made of solid electrolytic copper with a distinct conical shape, Arcane ammunition also demonstrates exceedingly high penetration in range tests and can pierce 28 layers of Kevlar soft body armor, an 8-mm-thick aluminum plaque, or a 33-mm-thick block of Lexgard bulletproof glass.



Cavitation and wound canal produced by firing THV round into a block of plastiline tissue simulate. Measurements are in centimeters.

Although capable of impressive penetration, such metal-piercing rounds have no special utility beyond the purpose for which they were designed—that is, to penetrate hardened targets. A person shot with such a round may, in fact, stand a better chance of survival than if shot with conventional ammunition. Because of its higher velocity and resistance to deformation, a metal- or armor-piercing round could punch a relatively small, clean hole through its victim—imparting less kinetic energy and leaving a smaller entrance and exit wound than a jacketed hollow-point bullet that mushrooms or a modern subcaliber, hypervelocity assault rifle round that tumbles on impact and causes extensive tissue damage.

THV Ammunition

The Societe Francaise de Munitions in Paris, France, has recently introduced a new type of ammunition which combines both excellent stopping power and good armor penetration. Manufactured under the registered trademark THV—*tres haute vitesse* (very high velocity)—this new ammunition would make an ideal terrorist round as it delivers the same disabling effect as hollow-point rounds; but, unlike hollow points, which deform against hard targets, THV has three times more penetrating power than conventional jacketed bullets.

Secret

Secret

Table 1
Metal Penetration
of THV Ammunition ^a

| Caliber | Weapon | Barrel Length (mm) | Penetration (mm) |
|-------------|-------------------|--------------------|------------------|
| 9-mm Para | M1950 pistol | 110 | 4 |
| 9-mm Para | Uzi submachinegun | 260 | 5.5 |
| .38 SPL | S&W revolver | 50 | 3.2 |
| .38 SPL | S&W revolver | 150 | 4 |
| .357 Magnum | Manurhin revolver | 100 | 4.5 |
| .45 ACP | Star PD pistol | 100 | 3 |

^a The weapons were fired at a distance of 5 meters into rolled homogeneous steel plates with a resistance of 110 kg per mm².

The key to the THV round is the unique construction and shape of its bullet. Like Arcane ammunition, the THV bullet is made of a hard copper alloy which does not deform on impact like conventional soft nose or semijacketed bullets. THV bullets are also hollow inside which results in greater velocity not only because of reduced bullet weight, but also because of the considerably increased powder charge obtained. Unlike conventional ammunition, the powder volumes of THV rounds reach and usually exceed the total volume of the case, due to the deep cavity cut in the bullet. This combination of hardness and increased velocity provides THV with its impressive metal-piercing capabilities. When test-fired, various caliber THV ammunition produced the results found in table 1. []

THV ammunition is available in a number of different calibers including the 9x19-mm Parabellum round popular with terrorists because it can be fired in both pistols and submachineguns. When fired in the latter weapons, the penetration capability of 9-mm THV ammunition is increased because of the longer barrel length and subsequent increase in muzzle velocity. Moreover, the submachinegun's higher cyclic rate of fire also enhances the ability of THV ammunition to strike at targeted personnel traveling in hardened vehicles. The armor on such vehicles is rated by the number of impacts that can be sustained in a given area. Although most commercially hardened vehicles

Table 2
Cavitation Produced
by THV Ammunition

| Caliber | Muzzle Velocity (feet per second) | Muzzle Energy (foot pounds) | Diameter of Entry Wound (mm) | Depth of Penetration (mm) |
|-------------|-----------------------------------|-----------------------------|------------------------------|---------------------------|
| 9-mm Para | 2,560 | 650 | 80 | 120 |
| .38 SPL | 2,428 | 585 | 80 | 130 |
| .357 Magnum | 2,625 | 684 | 84 | 140 |
| .45 ACP | 2,560 | 874 | 100 | 100 |

25X1

25X1

can withstand three impacts in a circle 8 inches in diameter, concentrated fire from an automatic weapon directed at a small area can defeat this armor. []

25X1

In addition to permitting a larger powder charge to be used, the design of the THV bullet also ensures maximum braking—and, therefore, energy transfer—on impact with the target. This is achieved by the unique shape of the bullet point, a section of which is defined by two symmetric, concave lines forming a negative parabolic profile. Tests conducted by firing THV rounds into blocks of plastiline—a material which behaves similarly to human tissue—have shown that on impact this material is compressed against the concave bullet tip and expelled laterally at high speeds away from the point of impact. The resulting cavitation is many times larger than the bullet's actual caliber and results in massive tissue destruction and trauma. The results of firing various caliber THV rounds into blocks of plastiline tissue simulate are summarized in table 2. []

25X1

25X1

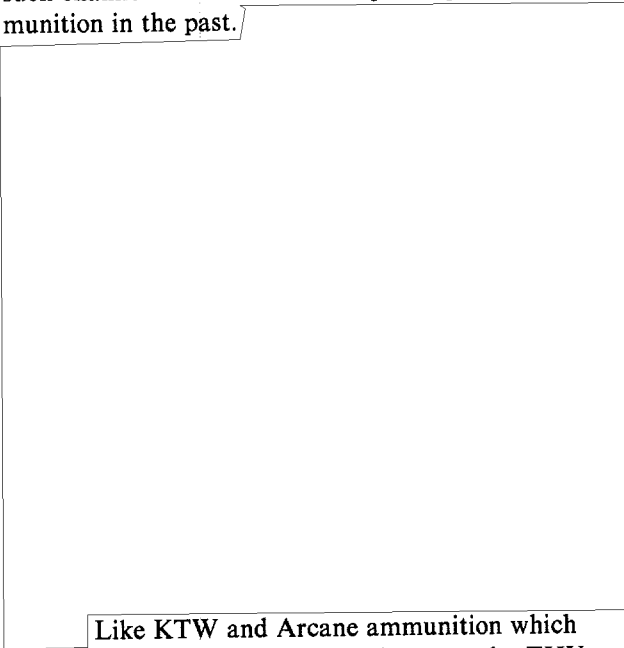
Availability

Given the ease with which terrorist groups obtain weapons on the international gray arms market, it is probably only a matter of time before these groups acquire THV ammunition through private arms dealers, theft, or established governments which support international terrorism. Terrorist groups have used

Secret

Secret

such channels to obtain similar special-purpose ammunition in the past.



Like KTW and Arcane ammunition which were supposedly intended for police use only, THV ammunition has been widely publicized and terrorist groups are undoubtedly aware of its existence and potential.

25X1

25X1

Secret

**East European Military,
Security, and Intelligence
Advisory and Training
Programs for LDCs**

25X1

Summary

Since the late 1970s, the size and scope of East European military and related advisory and training programs for less developed countries has expanded rapidly. We estimate that, in 1983, more than 2,600 East Europeans performed military support functions in some 25 LDCs and a record 1,850 trainees from these countries, mainly from North Africa, departed for Eastern Europe. Both were twice the observed 1978 numbers. East European programs still are smaller and—except for East Germany—far less comprehensive functionally than those of the USSR. The East European presence abroad in 1983, for example, was only 15 percent of the Soviet presence and less than half the number of trainees went to Eastern Europe as the USSR. The growth in East European advisory and training activities mirrors both the obligation to support Soviet initiatives in LDCs as well as fulfilling unique national political goals. The greatest benefit to East European governments, however, probably is hard currency earnings, which may have reached more than \$250 million during the period 1979-83.

25X1

East European Programs: The Soviet Connection

East European² advisory and training activities clearly reflect efforts of the USSR to enlist the support of its allies to help Moscow gain influence in the Third World and penetrate military and government establishments. East European countries, as members of the Warsaw Pact, are obligated to support Soviet policy for political and economic reasons. As a result, Moscow attempts to orchestrate East European selection of targets and specific commitments, sometimes

exerting considerable pressure. Although direct evidence is lacking, the timing of commitments and specialization by some East European countries—such as East German activities in Angola and Ethiopia—strongly suggest close coordination with Moscow.

25X1

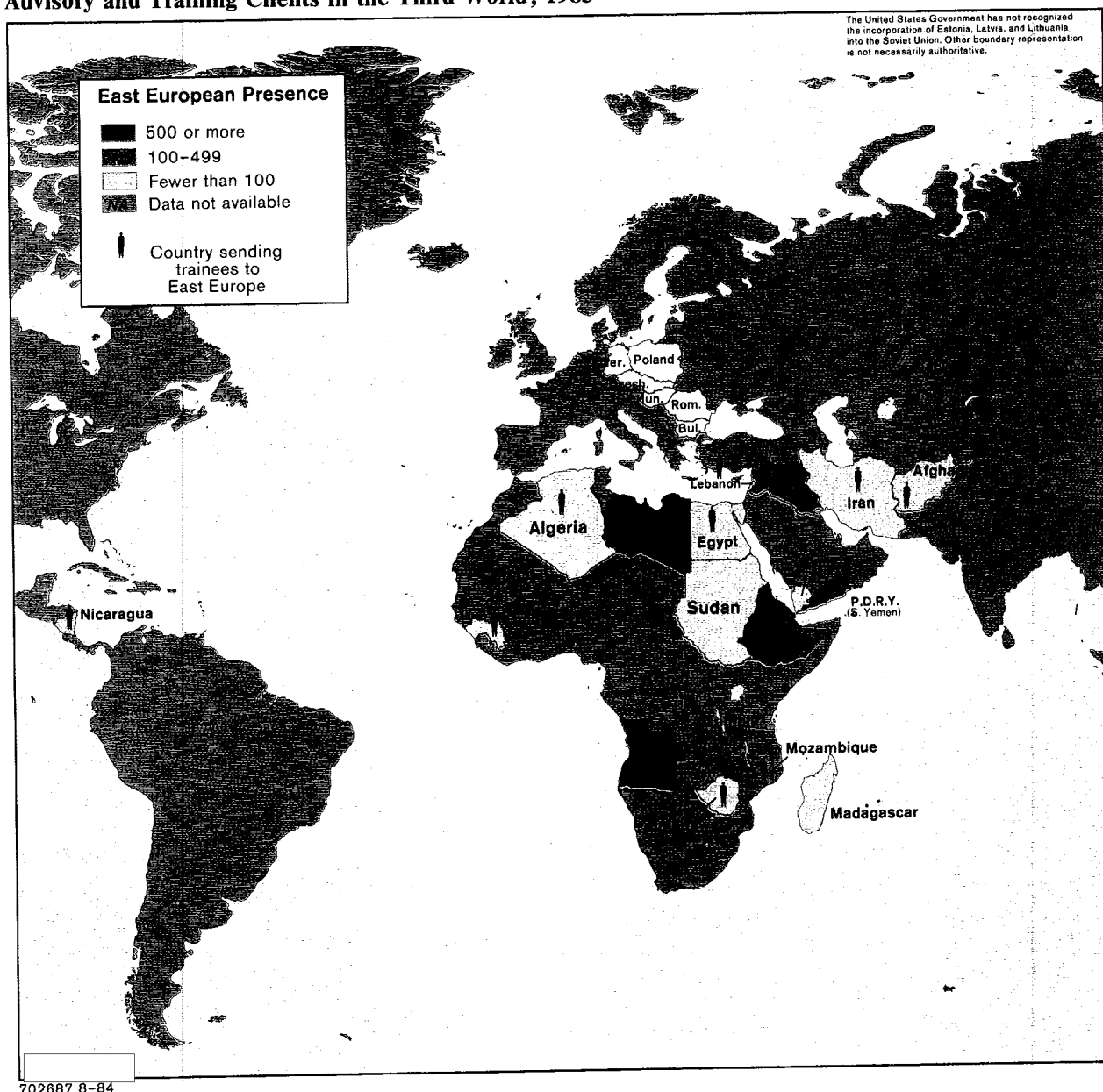
East European governments also have pursued advisory and training activities to satisfy nationalistic goals. The genesis of East Germany's program, for example, was Berlin's efforts in the 1950s to establish itself as a legitimate government and compete successfully with West Germany. Romania, the most independent

25X1

² Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

25X1

**East European Military, Security, and Intelligence
Advisory and Training Clients in the Third World, 1983**



25X1

Secret

member of the Warsaw Pact, portrays itself as a developing, nonaligned country that offers Third World states an alternative to assistance from the large powers. Aside from political considerations, East European governments have been motivated by hard currency earnings. []

The East European programs parallel and complement Soviet training and advisory activities in several important respects. Large arms buyers in Africa and the Middle East, for example, are the biggest customers of all Warsaw Pact services, reflecting the close cooperation between Moscow and its allies in servicing the needs of important clients. Moreover, Soviet and East European programs are administered similarly. In both cases, they are part of the overall military assistance packages to LDCs that also include the provision of weapons, other materiel, and construction projects. []

Experts in LDCs: Various Levels of Support

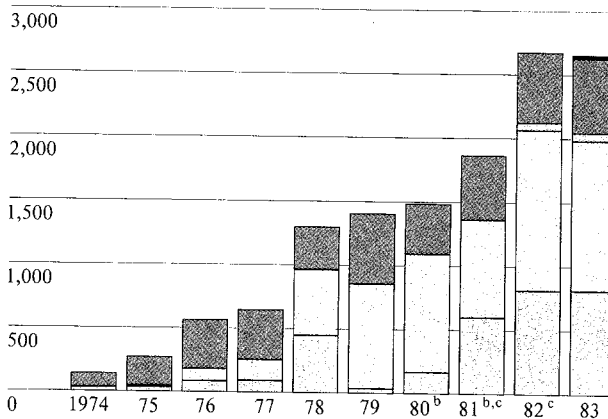
The East European military, security, and intelligence presence in LDCs grew to a near-record 2,650 in 1983, led by East Germany, and—to a lesser extent—Czechoslovakia and Poland.³ The greater involvement was driven largely by Soviet efforts to enlist the support of its allies to gain influence and penetrate military and government establishments. The need for technical support associated with higher arms sales, especially to the Middle East and North Africa, and increasing demands for security and intelligence services by LDCs also contributed to the growth. East Europeans in Syria, Libya, Angola, and Ethiopia accounted for more than 80 percent of the Third World presence, while smaller contingents were posted in countries like Algeria, Nicaragua, Iraq, and South Yemen (figures 1 and 2). []

Security and intelligence specialists and instructors constitute one of the largest functional contingents of East Europeans. These experts, comprising an estimated 30 percent of the total presence in 1983, are []

Figure 1
Eastern Europe: Military and Security/Intelligence Personnel in LDCs, 1974-83

Number of persons^a

■ South Asia
■ Middle East
■ Latin America
■ Sub-Saharan Africa
■ North Africa



^a Estimated number of personnel present for one month or more.

^b Data not available for Latin America.

^c Data not available for South Asia.

303082 8-84

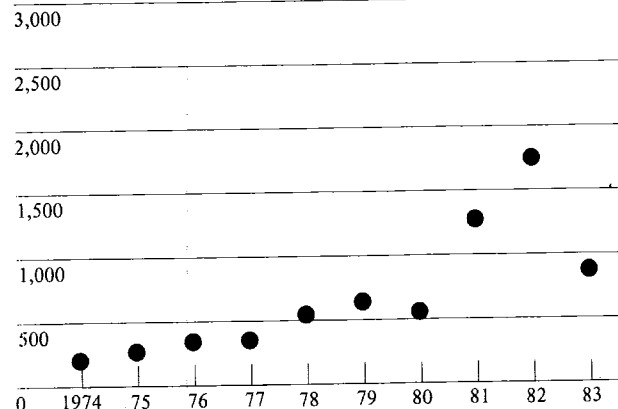
virtually all East Germans from both military and state organizations sent to help LDCs defend "revolutionary" gains. They have been assigned throughout the Third World:

- [] experts, including electronics technicians, were sent to Nicaragua in late 1982, []
- Ethiopia, with the largest East German presence, has relied on security/intelligence experts for instruction, investigations, and to run counterintelligence operations since 1977, []

Figure 2
Eastern Europe: Comparison of Military Presence and
Deliveries to LDCs, 1974-83

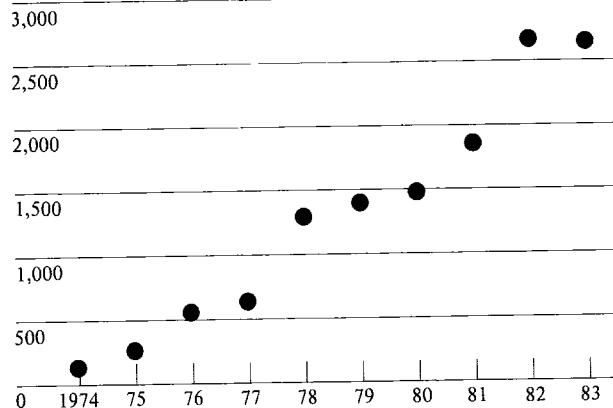
Military Deliveries to LDCs, 1974-83

Million US \$



Military Advisory Personnel Present in LDCs

Number of persons



303084 8-84

Army and air force personnel account for almost all the estimated 1,800 East Europeans assigned to LDC military services. Concentration among armies reflects the fact that they usually receive the bulk of weapons imports, while efforts among air forces are due to the inability of most clients to operate and satisfactorily maintain aircraft—even the less advanced models supplied by Eastern Europe—on their own:

- Czechoslovakia and Poland have focused their efforts on Libya, where they have provided instruction on L-39 trainer aircraft, MI-2 helicopters, tanks and other armored vehicles, and other ground force weapons supplied by Prague and Warsaw, according to [redacted]

- East German Army and Air Force personnel are present in LDCs throughout Africa and the Middle East, where they have functioned as pilot-instructors (Zambia), technicians on both weapons and nonlethal hardware (Syria), and provided air defense training (South Yemen), according to State Department and [redacted]

- Some 150 Romanian Air Force pilot-instructors and mechanics were posted to Angola's military aviation school in 1982, [redacted]

East European technicians also have been sent to LDCs to supervise military construction projects, although small numbers are assigned to navies—almost always the smallest military service—and to general staff positions, which Soviets typically monopolize. [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Military Training in Eastern Europe: Diverse Courses and Clients

East European governments have trained growing numbers of Third World students in an increasingly comprehensive array of military and related subjects since the late 1970s (figure 3). Like the growth in the number of East Europeans posted abroad, expanded training reflects higher arms sales and increased demands for security and intelligence assistance, as well as the need to conduct some instruction (such as advanced weapons maintenance) at special facilities. About 90 percent of all trainees went to East Germany, Czechoslovakia, and Poland—the same countries that supply the bulk of East European experts working in LDCs. Libya sent some two-thirds of all trainees to Eastern Europe, while Algeria, Iran, and Syria accounted for most of the remainder.

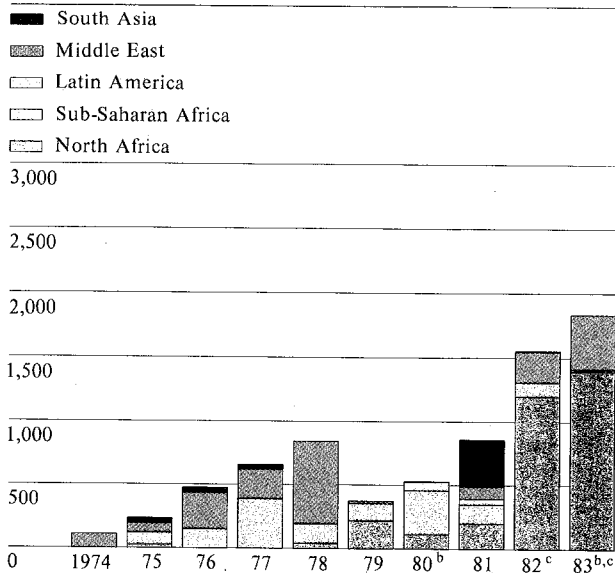
East Germany's training program is by far the most extensive of non-Soviet Warsaw Pact countries. Berlin provides a wide variety of basic and advanced military, security and intelligence, and police instruction—all including heavy doses of political indoctrination, unlike most other East European-sponsored courses. Sub-Saharan countries and Libya have been traditional East German clients, although Berlin has broadened its list of recipients during the past several years:

- Small groups of Libyans have been sent to East Germany for aircraft, air defense, ground force, and specialized training,

Training in other East European countries is more narrowly focused than in East Germany. Most of the Libyans sent to Poland since 1980, for example, have

Figure 3
Eastern Europe: Military and Related Trainees From LDCs, 1974-83

Number of persons^a



^a Estimated number of departures. Actual departures to Eastern Europe probably are significantly higher and more evenly distributed than depicted above;

^b Data not available for South Asia.

^c Data not available for Latin America.

303085 8-84

received pilot or aircraft maintenance training, and students in Czechoslovakia often study the operation and repair of ground force weapons supplied by Prague,

Secret

Nearly 50 facilities used to train LDC personnel have been identified throughout Eastern Europe, mainly in East Germany and Poland. These include officer and noncommissioned officer schools, academies, security/intelligence installations, and state production plants. Because most of these sites are used mainly to train indigenous personnel, separate classes usually are established to accommodate language and aptitude needs of specific LDC students, [redacted]

[redacted] Few sites in Eastern Europe, unlike in the USSR, are devoted exclusively to training foreigners. Nonetheless, like the Soviets, the East Europeans accommodate students of varying capabilities and generally emphasize rigid adherence to prescribed procedures, [redacted]

Surging Hard Currency Receipts

East European suppliers historically have placed more emphasis on generating financial returns than the USSR, and this goal has become increasingly important as key clients—mainly in the Middle East and North Africa—realized large oil revenues in the mid-1970s. We estimate that LDC hard currency obligations to East European governments—mainly East Germany, Czechoslovakia, and Poland—for advisory and training services totaled roughly \$260 million in 1979-83, more than seven times the value during the previous five years.⁴ Obligations surged in the early 1980s—reaching more than \$100 million in 1983—on the strength of increased training in Eastern Europe. Libya accounted for about 60 percent of the total, while the remainder probably came from Iraq, Syria, Algeria, and Angola. However, poor LDCs, such as Somalia, sometimes have been required to pay for services, according to US attache reporting. [redacted]

East European countries have independent policies for pricing advisory services and training. [redacted]

[redacted] for example, indicates that Syrian payments in 1978 for same-grade Hungarian, Czechoslovak, East German, and Bulgarian officers and enlisted men varied as much as several thousand dollars annually. The average reimbursement for these technicians—\$15,000 a year—was about 50 percent

⁴ Actual receipts, however, may have been lower than \$260 million in obligations, as declining oil revenues undoubtedly led to payment arrearages [redacted]

greater than for their Soviet counterparts. In general, Libya probably pays the highest rate of any LDC. [redacted]

An Assessment: Gains Outweigh Drawbacks

The rapid expansion of East European training and advisory programs during the past decade has had mutual benefits for both suppliers and recipients, although neither side has fully realized its objectives. East European governments probably consider hard currency earnings to be the most important return. These receipts have helped reduce the large current account deficits of all East European countries except for Poland (which still had a more than \$2 billion deficit in 1983) and Bulgaria (which has enjoyed a surplus for years). Moreover, some East European countries—notably East Germany—have acquired reputations in the Third World as reliable sources of unique services, a situation that has buttressed efforts to achieve recognition independent of the USSR. Advisory and training programs also have spurred arms sales, which in turn increase demands for services. Despite these benefits, most supplier countries, except for Romania, probably would have pursued training and advisory programs for LDCs solely to satisfy their obligations to Moscow, although less actively. [redacted]

East European programs also have served Soviet interests by affording Moscow expanded opportunities for political penetration, especially where the Soviet presence is restricted. East European activities have enabled Moscow to gain access to military intelligence and assess attitudes of key government decision-makers who often have close ties to the military. [redacted]

Some LDCs value East European assistance, presented as independent efforts, because they believe it protects their nonaligned image. Substantively, the

25X1

25X1
25X1

25X1

25X1

25X1

25X1
25X1

25X1

Secret

Secret

East Germans are most favored, mainly for their security and intelligence expertise—reflected in the widespread reliance of LDCs on Berlin for such assistance. Similarly, some recipients rely on technicians and instructors—such as Czechoslovak L-39 aircraft mechanics in Nigeria—because of their unique capabilities with certain weapon systems. Nonetheless, East European programs, like virtually all Communist and non-Communist efforts, do not escape criticism. Most often, complaints concern the close ties of some governments (mainly East Germany) to Moscow and, to a lesser extent, substantive training shortfalls.

25X1

The future of East European training and advisory programs will be driven by the same factors responsible for their recent growth. As a result, specific programs are expected to expand at varying rates. East Germany's willingness and ability to meet a wide range of demands strongly suggest it will remain the most active non-Soviet Warsaw Pact supplier. By contrast, Czechoslovak and Polish efforts probably will continue at recent levels only if Libya or another large client relies on these countries, because they are unable to offer a wide range of services. Similarly, there is no evidence to indicate that Bulgaria, Hungary, or Romania will become a major source of personnel assistance for LDC governments because these suppliers offer little expertise that is not already available from other countries, often as part of an integrated weapons transfer program.

25X1

Secret

Secret

Arms Transfers: Significant Sales and Negotiations

25X1

25X1

Asia

Recent sales to **India** provided a showcase for east-west competition for arms sales. In February, the Soviets concluded a sale of SA-8B surface-to-air missiles. To do this, and prevent the Indians from diversifying their suppliers, the **USSR** had to beat **French**, **British**, and **West German** competitors by offering a package of low prices and rapid delivery. Currently, Moscow is making an attempt to counter Indian involvement with West German submarine producers by promising to supplement India's Foxtrot fleet with new Kilo-class diesel boats.

In February, **Indonesia** purchased three Tribal-class frigates from **Britain** for \$45 million. The Royal Navy will shrink drastically over the next decade, and the sale may prove to be the first of several involving soon-to-be-surplus ships. Similarly, **Argentina**, deeply in debt, has offered to sell its British-built destroyers to Jakarta. [redacted]

25X1

France may soon end its declared policy of not selling the submarine-launched SM39 version of the Exocet. [redacted] has a written commitment for SM39s for use on its French-built Agosta-class submarines. [redacted]

25X1

25X1

Middle East

Iran and **Iraq** while purchasing most of their arms from traditional sources, continue to seek arms from nontraditional suppliers. [redacted]

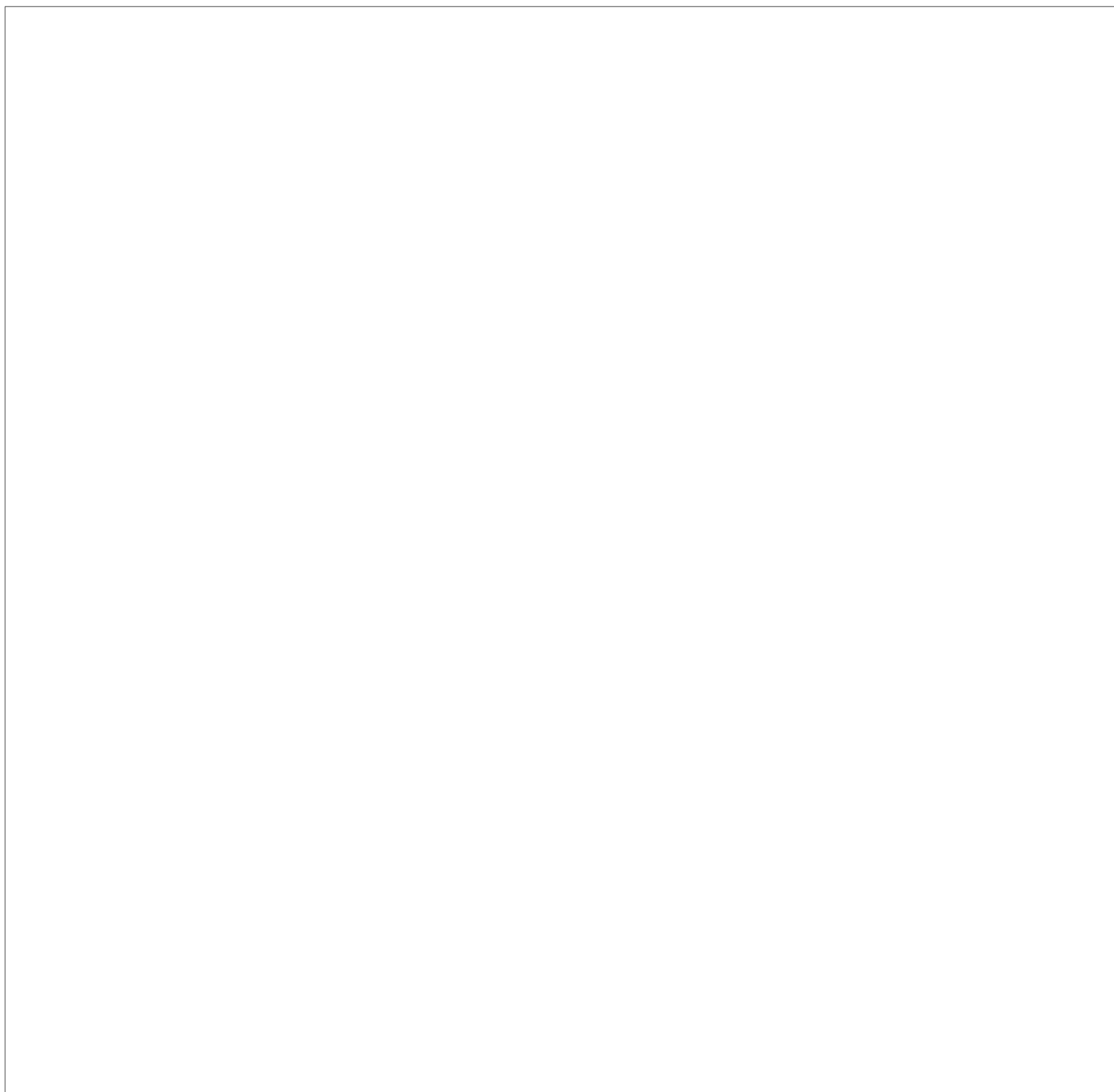
[redacted] for \$29 million. Iran has been negotiating with **Portugal** for mortar and artillery

25X15X1

Secret

Secret

25X1



ammunition.

Algeria, trying to reduce its dependence on Soviet equipment, is negotiating with *France* to buy four Super Puma and six Dauphin helicopters. Talks are

25X1

25X1

Secret

also continuing for sales of air defense radar, Alpha-jets, and Epsilon trainers. The purchases will be the first step in a long-term Algerian plan for improving its Air Force. [REDACTED]

Kuwait and **Jordan**, both of whose requests for **US** anti-aircraft missiles were turned down, have begun talks with the **USSR**. It is possible that the two states may purchase SA-9 surface-to-air missiles. However, neither country has yet committed itself and both still prefer American equipment; the talks may be a tactic for pressuring the United States. [REDACTED]

South America

Peru, dissatisfied with **USSR** arms supply, spare parts service, and the Soviets' reluctance to train Peruvians, is seeking to further diversify its arms suppliers. In late June, Lima signed an agreement with **China** to explore the possibility of Chinese technical assistance in maintaining the Peruvian Air Force's Soviet-made equipment. [REDACTED]

[REDACTED] The accord, however, is more a reflection of improving Peruvian-Chinese relations than any serious supplanting of Moscow by Beijing. [REDACTED]

In July, Peru and **France** finally concluded a deal for the sale of 26 Mirage-2000s. Lima will pay \$650 million over 12 years. Although the purchase will placate the military, it also will jeopardize Peru's foreign financial support. [REDACTED]

Central America

Nicaragua continues to receive Soviet arms through **Bulgaria**. Deliveries in February and May brought 61

T-54/55 tanks, 25 PT-76 tanks, and 38 BTR-152 armored personnel carriers. In June, **North Korea** delivered two Sinhung-class patrol boats. [REDACTED]

Ammunition captured from rebels in **El Salvador** in May has been found to be of Bulgarian manufacture, strongly suggesting that it was shipped from **Nicaragua**. [REDACTED]

25X1
25X1

25X1

25X1

25X1

25X1

25X1

25X1

Page Denied

Next 9 Page(s) In Document Denied

Secret

Secret